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THE MENACE OF THE TRUSTS

And How to Deal with it.

BY

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This Pamphlet shows how the Trusts have the community in their grip; how they raise prices and reduce employment; and how they corrupt national politics.

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The Menace of the Trusts.

THE extent to which competition has been replaced by monopoly in the manufacture and distribution of practically every article the community requires is little realised by the general public. The United States is the classic land of the Trusts, but until recently British traders, economists and politicians have regarded this development as being the outcome of the system of High Protection in America, and have held the complacent belief that the Free Trade policy of Great Britain rendered this country immune from such a development. For more than twenty years there has been no justification for such a comfortable assurance. For nearly a generation before the war the Trust Movement had been making progress in Great Britain. The Report of the Committee on Trusts which was issued at the end of April, 1919, showed that by far the greater part of the trade associations and combinations now existing in the United Kingdom appear to have come into existence since the end of the nineteenth century. There has been a great increase in the creation of Trade Associations during the war. But war or no war the movement towards Trade Combinations would have continued without interruption, for it is a natural and inevitable outcome of the competitive system. Trade competition tends to reduce profits to a minimum. It leads to reckless and unregulated production, and involves enormous expenditure upon advertising and other methods to secure trade.

WHERE TRUSTS FLOURISH.

Before dealing with the economics of competition and monopoly we will present a few facts to show the extent to which the production and distribution of commodities are now controlled by Trade Associations and Trade Combinations. This Movement has reached a higher stage of development in the Iron and Steel industry than perhaps in any other trade. The Report already referred to gives a list of Associations connected with this industry, which does not claim to be at all exhaustive. There are thirty-five Associations enumerated with which three hundred and forty firms are associated, but it is important to note that the firms within this Association control a vast proportion of the whole trade in iron and steel. For instance, the makers of iron castings used in domestic building are grouped in a powerful Association embracing

ninety per cent. of the industry. The whole of the galvanised sheet iron manufacturers are included in a Trade Association, while four-fifths of the makers of metal bedsteads are similarly associated.

The Chemical industry is another industry where Associations and Combinations have been carried to a great length. The production of chemicals in this country is almost wholly in the hands of two great consolidations. The Electrical industries are united in an Association which covers the whole trade. In soap, tobacco, wall-papers, salt, cement, textiles, copper, glass, fertilisers, shoes, cocoa, margarine, thread, matches, whisky, insurance, banking, oil, linoleum, building materials, and, indeed, as has already been stated, in practically every industry the trade is effectively controlled in respect of output and prices by Associations, Combinations or Trusts.

The particulars of the capital of some of these Combinations may be of interest.

The Fine Cotton Spinners and Doublers' Association, Limited, an amalgamation originally of more than forty concerns, has an issued capital of £5,700,000 and a debenture issue amounting to £2,750,000, and owns or controls mills abroad and cotton plantations. The £1 shares of this Association are now quoted in the market (Sept., 1919) at 63s.; The Linen Thread Company, Limited, issued capital of £2,705,000, debentures issued at £1,000,000; J. and P. Coats, Limited, issued capital £10,000,000, annual profits average £3,400,000; The English Sewing Cotton Company, Limited, issued capital £2,000,000, debentures issued £958,000. The last two named Combines work in close association, and control practically the whole of the sewing cotton thread trade in the United Kingdom.

In the dyeing and printing branches of the cotton and woollen industry there are the Bradford Dyers' Association, a combine originally of twenty-two firms, with an issued capital of £3,856,000 and debentures to the amount of £1,450,000; the British Cotton and Wool Dyers' Association, Limited, (forty-six firms) with an issued capital of £387,083, and debentures to the amount of £620,000; the Calico Printers' Association, formed originally of fifty-nine firms, with an issued capital of £5,027,000 and debentures of £3,200,000; the United Kingdom Turkey Red Company, Limited, with an issued capital of £1,264,870; the Bleachers' Association, Limited (fifty-seven firms), with an issued capital of £4,823,000 and debentures of £2,250,000. In addition to these companies there are in the

textile trade the Woolcombers' Combine, the Velvet Cutters' Association, the Yorkshire Indigo, Scarlet and Colour Dyers, Limited, the Leeds and District Worsted Dyers and Finishers' Association, Limited, and many others.

The Tobacco trade is very closely consolidated. The Imperial Tobacco Company of Great Britain, which was formed in 1901, recently raised its capital to £33,000,000 by the creation of nine million new shares of £1 each. The £1 shares were worth 105s., and shareholders were offered the nine million new shares of £1 each at their nominal value, which was a gift of £4 5s. per share. The ordinary shareholders had previously received 5,571,123 shares by way of bonus out of the Reserve Fund.

The largest Combination in the United Kingdom is that of Lever Brothers, whose nominal capital was recently increased to £100,000,000. This firm holds practically all the ordinary capital of Vinolia Co., Ltd., Hudson & Co., Ltd., Prices' Candle Co., has large holdings in A. and F. Pears, Limited, and holds important monopolies in tropical countries, which secure them the sources of supply of oils requisite for soap manufacture. In addition to Lever Brothers there are two other huge Combinations in the chemical trades, namely, the United Alkali Company, Limited, a consolidation of forty-eight concerns engaged in the manufacture of heavy chemicals, whose issued capital is £3,425,000, debentures £2,750,000; and Brunner Mond and Co. Brunner Mond and Co. recently increased the nominal capital from £10,000,000 to £15,000,000. Five years ago the issued capital was £4,031,870. This Company has acquired the soap making concerns of Crosfield and Sons and Gossage and Sons, and it is directly or indirectly interested in the Mond Gas Co. and the Mond Nickel Co., which recently entered into a financial arrangement with Castner-Kellner Alkali Company, another important chemical concern by which their interests were consolidated.

Oil is another commodity which is controlled by a few great Trusts, which have international ramifications. One of the largest of these is the "Shell" Co., which owns prolific fields in the Far East, in the United States, and in Mexico. The progress which the "Shell" Co. has made during recent years may be gauged from the number of subsidiary and allied concerns which are to-day housed in that elaborate pile of buildings off St. Mary-Axe, known as St. Helen's Court. Here are to be found the headquarters of the Asiatic Petroleum Co., Ltd., and its numerous subsidiaries, the Anglo-Saxon Petroleum Co., Ltd., the Anglo-Egyptian Oil Fields, Ltd.,

North Caucasian Oilfields, Ltd., the Ural Caspian Oil Corporation, Ltd., the British Imperial Oil Co., Ltd., and a host of other concerns all associated in some way or other with the "Shell." This month (Sept., 1919) two other great Oil Combines have been formed by the amalgamation of the Baku Russian Petroleum Co., the Bibi Eibat Oil Co., the European Oil Fields Corporation, and the Russian Petroleum Co., with a capital (British) of £2,500,000, and the Scottish Oil Co., with a capital of £4,000,000.

One of the most powerful and sinister of monopolies in the country, one which has its grip on every branch of trade and commerce, is the Money Trust. The Report of the Treasury Committee on Bank Amalgamations in 1918 says:—"The number of private banks has fallen from 37 to four since 1891 and the number of English Joint Stock Banks from 106 to 34 during the same period. Moreover, 85 per cent. of the deposit business is now in the hands of six banks." Since this Report was issued other amalgamations have taken place, three having been announced during the last three weeks. Since July, 1914, twenty Bank amalgamations have been formed.

WHY HOUSES ARE DEAR.

There are few trades in which Combination has been carried to greater lengths than in the production of materials for building purposes. Associations or Combinations exist in respect of bricks and tiles, stoneware pipes, white lead, lead piping, sheet glass, stoves, grates, iron gutters, pipes, baths, cement and wall papers. The only commodities used in building which are wholly free from control are timber and sundry materials such as glue, oil, putty, and minerals such as ashes, sand, slate, gravel, and granite chippings. In this connection it may be mentioned that the Associated Portland Cement Manufacturers are an amalgamation of twenty-seven concerns, have an issued capital of £4,207,000, and debentures to the amount of £4,527,000. This Combine, with the British Portland Cement Company, Limited (authorised capital £2,800,000), control the United Kingdom output of cement. The Wall Paper Manufacturing Company, Limited, is a Combination of wall paper makers and has an authorised capital of £4,000,000, and it practically controls the whole output of wall papers in the United Kingdom. In a statement to a Press Representative, Mr. P. Donald, Managing Director of Messrs. Rownson, Drew and Clydesdale, Ltd., speaking on the effect of Combines on the cost of building, says:—

"One hears of Combines in America, but it has been left to this country to produce the most vicious type of the kind, for not only are prices kept up, manufacture limited, competition destroyed, but supplies are actually stopped if you do not agree to the arrangement. The prices of building materials have gone up recently from 40 to 100 per cent."

IN THE DISTRIBUTIVE TRADES.

This movement towards Combination and monopoly is not confined to the manufacturing side of trade. In recent years it has developed extensively in the distributive trades. The general public is familiar with the existence of the multiple shop firms which supply food, tea, meat, boots, drugs, clothing, and in some cases trade as general merchants. The largest of these firms are the Maypole Dairy Company, The International Stores, the Home and Colonial, Liptons, Boots, and some half-dozen well-known firms in the retail boot trade. Liptons has an ordinary capital of £1,250,000. Its profits in 1914-15 were £80,797; in 1915-16 £124,339; in 1918-19 £401,386.

One of the most successful of these distributive combinations is the Maypole Dairy Company. In 1902 this Company had 221 branches and its profit was £88,356. In 1917 it had 884 branches and its profit was £747,249. In this year it paid as dividend on the ordinary deferred shares £940,417, being at the rate of 225 per cent. Among the general stores, Harrods is one of the largest and most successful. Its capital is £3,000,000, and in 1910 its profits were £210,093, and in 1919 they had risen to £352,042.

THE TYPES OF ASSOCIATION.

There are various forms of Trade Combinations, from the simple form where traders associate together for the purpose of discussing and arranging prices to the close Combination where the businesses are completely amalgamated, the capital combined, and the management consolidated. Between these two, as the Report of the Committee on Trusts points out, are many more or less loosely organised Associations usually known as Federations. These Federations retain their separate identity, but arrange among themselves what the total output of the commodity shall be, and assign to each firm its respective share. A typical instance of this type of Association is in the furniture trade. A firm whose output for the month is less

than its proportionate share of the aggregate output is entitled to receive from the pool five per cent. in value upon the amount of its deficiency. It was given in evidence before the Committee on Trusts that in some cases a member of the Association may entirely withdraw from active manufacture, and as compensation draw a substantial sum month by month from the pool. This Federation regulates the selling price of furniture, and members are liable for any breach of the regulations with regard to selling prices, terms or discount, to pay a fine to the fund not exceeding 20 per cent. of the whole amount of the transaction. The affairs of this Federation are managed by a Committee of ten principals of firms belonging to the Federation.

The most complete type of Combination is that known as the Trust or Combine. The separate firms engaged in one line of business enter into an arrangement by which the businesses are merged into one Combine with a consolidated capital. In some cases such a Combine has close relations with other firms in the same line of business which still retain their separate identity, the Trust having considerable holdings in the outside firms.

The movement towards Association for the regulation of prices and output is, as had already been pointed out, the result of unrestricted competition. Associations for the regulations of prices and output usually develop into closer Combinations, finally reaching the form of the complete Trust. This movement cannot be thoughtlessly denounced, because anything which tends to lessen the waste of competition and to increase efficiency of production and distribution is in itself all to the good. It is folly to attempt to arrest this natural economic evolution. The wise course is for the community to appropriate the advantages, and to prevent the abuse of monopoly for private profit. Let us try to enumerate some of the disadvantages of competition and some of the advantages of production on an extensive scale.

We are not concerned in this pamphlet with the argument that competition is essential as an incentive both for capitalists and workmen to put forward their best efforts. Whether competition in industry be good or bad it is being irrevocably superseded by the inevitable form which industrial operations tend to assume. That there are certain advantages in competition nobody will deny, but the waste which the system necessarily involves outweighs any other advantages which may accrue.

WHY TRUSTS ARE FORMED.

The progress of invention makes the use of extensive machinery necessary for economical production. The cost of such machinery, and the necessity for replacing it when improved machines come upon the market, requires the employment of a larger unit of capital than was formerly the case. The acquisition of the necessary amount of capital to take advantage of the most economical forms of production is in most trades so large that it is beyond the resources of a single individual. It was this fact which first gave rise to the modern joint stock company system. We find that Combinations have developed to the greatest extent in those industries where machine invention has been carried to the highest point. The man with the command of a small amount of capital suffers from other serious disadvantages. He is unable to purchase raw materials on the most advantageous terms, and he cannot afford to pay for the services of the most efficient managerial help. He is compelled to reduce his overhead charges to the lowest point, with a consequent loss very often of efficiency. He cannot afford to compete with rivals commanding greater resources in advertising and marketing goods.

The community has suffered from the multiplicity of business concerns and competitors engaged in producing and distributing identical articles through the aggregate of necessary working expenses. For instance, very often we find in the same street half-a-dozen retail boot shops, each of which may in normal times be working upon a small margin of net profit. But to maintain half-a-dozen shops when one would suffice to meet the needs of the district involves the maintenance of half-a-dozen establishments with unnecessary expense in rent, rates, salesmen, clerks and innumerable other costs which must be added to the selling price of a pair of boots before a net profit can be made. The same set of facts apply to rival concerns engaged in the manufacture of any commodity. It does not follow, therefore, because under competition the net profits of an individual business may be comparatively reasonable that the public are not paying far more than would be necessary if the innumerable expenses necessitated by competition were eliminated.

The object of the Trust is to concentrate production so that the greatest efficiency can be secured and all possible waste eliminated. The economic advantages which are secured from a soundly financed and well-managed Trust are many, some of which we will now proceed to enumerate.

A sound Trust has the command of a large amount of capital which enables it to take advantage of everything which can contribute to economy in buying raw materials, in the use of machinery, and in the organisation of distribution. One Trust, as we have already mentioned, has organised the development of large areas in various parts of the world for the production of the raw materials it needs for making its soap and allied products. Even where there is no monopoly of the sources of the supply of the raw materials the Trust with great financial resources can naturally buy more cheaply than a small capitalist. The Trust gains advantage, too, in shipping and railway transport rates owing to the magnitude of its consignments. The small manufacturer is, as a rule, unable to go to the source of supply of the raw material, and is dependent upon the middleman.

THE ECONOMIC ADVANTAGES.

The Trust has developed to the greatest extent in those industries which supply articles in common use. The standardisation of types tends enormously to lower the cost of production, and a Trust doing business upon an extensive scale is able to keep its machinery confined to the production of standard parts without the necessity of constant changes.

The capital resources of a Trust enable it to plant its works in the most suitable areas and to construct its premises in a most economical and efficient manner. A Trust can use its bye-products more profitably than a small firm, and some of the larger Trusts have built up ancillary businesses of enormous dimensions by the utilisation of their bye-products.

A further advantage of the Trust, especially when it is so large as to practically control the whole of the output of a particular article, is that it knows the requirements of the market and can regulate the output accordingly, and in that way keep its machinery and workpeople regularly employed, avoiding alternating periods of overtime and short time.

It is not only in production, but in distribution too, that the Trust form is able to effect great economies over competition. A Trust has combined, let us say, a hundred different independent firms. Before combination each of these hundred firms had establishment charges to support. It employed a hundred managers, a hundred staffs and travellers, clerks and distributors. They sent out a hundred consignments to a hundred different customers, most of whom were probably trading intermittently with most of the hundred firms. When

the combination of these hundred firms had been effected, no longer did a hundred travellers call upon the same distributor. There were not a hundred firms advertising the same article. There were not a hundred staffs of clerks and distributors. The statement was made some years ago that the formation of Trusts in the United States had eliminated nearly three-quarters of a million commercial travellers.

The small capitalist cannot afford to spend money upon experiments and finding improved methods of production. Not so with the wealthy Trusts. It has been stated that one large firm in a branch of the engineering trade spent £100,000 a year in its experimental department. The wealthy Trust can afford to buy the services of the best scientific skill and business brains in the market.

SOME DISADVANTAGES OF TRUSTS.

There are tremendous dangers in industrial monopoly, both to the public and the workpeople employed by the Trusts. In view of the great economies which a sound and well managed Trust is able to effect by greater efficiency, the elimination of waste, the advantages of cheap buying and the utilisation of bye-products, it should be able to sell its productions at a lower price than manufacturers can afford to do under economic disadvantages and under the necessity of making the expenses of competition. It cannot be said definitely whether under normal conditions the effect of the Trust has been on the whole to raise prices. It is true that Associations as distinct from Trusts have invariably that result, and, indeed, almost the sole reason for the formation of Associations is to raise and keep up prices. There is no secret about this. It is admitted by the promoters of Associations that their object is to prevent "price-cutting" and "cut-throat" competition.

In this matter of prices there is a difference between the results of the working of Associations and Trusts. A Trust may or may not raise prices. It aims only at the maximum amount of profit, and it fixes prices at what the market will bear, which may mean either an increase of prices or a reduction. There is one restraint upon Associations and Trusts raising prices, and that is that if the prices are raised to an extravagant figure competition may be developed by independent firms; though the risk of that is constantly getting less as the power of the Trust over the sources of the supply of raw material and its refusal to supply its products to distributors who deal with any rival, are extended.

There are other influences which restrain a Trust of a national character from raising its prices beyond a certain point, and the chief of these is foreign competition. So far as Trusts are responsible for the advance of prices which has taken place during the last five years it is due to the monopoly of the home market, which has been given to them by the restriction of imports. The imposition of tariffs certainly encourages the formation of Trusts and enables Trusts to obtain far higher prices in the home market. But many British and foreign manufacturers had before the war arrangements with manufacturers in other countries by which prices were regulated and markets deliminated. Some Associations and Trusts have endeavoured to defy foreign competition by an arrangement with the distributors and wholesale merchants whereby the latter would not import any foreign goods of the kind manufactured by the Association, the distributors and wholesale merchants receiving in exchange a guarantee of a larger profit than was previously current in the trade.

But there are limits to which, under Free Trade, this practice can be carried, because if prices were high and profits exorbitant independent competition would be encouraged. The distributors are largely at the mercy of Trusts and Combinations which have practically a monopoly of the production of particular commodities, and the resentment of the distributors at the tyranny of the Trusts was strongly expressed before the Committee on Trusts. One distributing agency, referring to a Combine of an important character said:—

> "This is one of the most complete monopolies in the United Kingdom. In our opinion such a Combine as this is inimical to the public interest and the initiative that follows from competition. It starves its distributors, its huge profits are a toll on the wages of the poor and the public necessity becomes their opportunity."

THE POLITICAL POWER OF TRUSTS.

This brings us to one of the most serious dangers of Associations and Trusts, namely, the political influence they are able to exert. We have had an illustration of this in the embargoes which have been imposed by the Board of Trade. The Committee which advised the Board of Trade in this matter was composed of British traders who were interested in preventing the importation of foreign goods in competition with their own productions. The effect of these embargoes, which were most arbitrarily selected, was to raise prices in the home market

most excessively to the profit of the manufacturers whose trade was protected by this system.

Protection in the home market inevitably leads to the practice of dumping the surplus product at a lower price, or even at a loss, in foreign countries. An interesting admission on this point was made before the Committee on Trusts by the Chairman of a particular Metal Association, who said:—

> "By securing remunerative prices in the home market they can make a successful bid against foreign competition in the export trade. They had a fighting fund for the special purpose of subsidising members who found it necessary to sell at less than an economic price in order to cut out foreign competition. That might be called meeting dumping by dumping, but he would not agree that British firms dumped in the aggregate much more than foreign firms. They had dumped in Belgium as a reprisal against Belgian dumping here."

This is very interesting in view of the recent announcement by the Government that legislation is to be introduced to prevent the dumping of foreign goods in this country. The political influences which Trade Associations and Trusts can bring to bear upon a Government is one of the most dangerous powers these organisations possess, and one which, if left unrestrained, will inflict a grave injury upon the community and will corrupt the whole political life of the nation.

TRUSTS AND LABOUR.

We have seen that one of the results of Trade Combinations is by the employment of machinery to a greater extent, and by eliminating travellers, clerks and distributors, to reduce the volume of employment. Opinions differ as to the effect the Trusts have had upon the general conditions of Labour. There is no inherent reason why a Trust should treat its workpeople less generously than a smaller capitalist. On the contrary, there are many reasons why the conditions of employment should be better under a wealthy Trust than under an impecunious employer. The directors of a Trust are usually keen-witted business men who appreciate the importance of the economy of high wages and good conditions. Just as they have realised the need for the most efficient machinery, so they should recognise the importance of efficient workmen, for workmen, to be efficient, must be well paid and well treated. Many of these Trusts have instituted schemes for the promotion of the welfare of their workpeople, schemes which could not be afforded by small capitalists.

On the other hand, it is complained that the human relations which existed between the employer, who personally knew his workmen, have been destroyed by the coming of the Trust, with its capital owned by absentee shareholders and the business managed by salaried officials. It is undoubtedly true that there is less freedom of choice of employer as the Trust advances towards a monopoly of employment in a whole industry. The power of a Trust which is a virtual monopoly to reduce wages and impose irksome conditions, if it desires to do so, is undoubtedly greater than that possessed where there is a choice of employers, and where employers must, to some extent, compete for the services of workmen. A representative of the Ministry of Munitions told the Committee on Trusts that "in the recent industrial unrest it was generally the large firms which experienced the most trouble. The tendency of these large aggregates is bound to become impersonal and to make the worker feel that he is dealing with a vast machinery not amenable to ordinary persuasive influences against which his only weapon is to strike." On the other hand, a Trade Union organiser who gave evidence before this Committee expressed the opposite opinion, and said that "it is easier to get fairly good conditions for workpeople employed by a powerful Trust than it is from bodies and associations who are denied the advantages of monopoly and the power to exploit the consumer." The last phrase is peculiarly interesting as it indicates the possibility of a still further Combination of the Trusts and the workpeople employed by them. It is common knowledge that the Whitley Councils are being used by some employers to form a Combine of employers and workmen to get Protection.

UNSOUND PROMOTIONS.

There is another aspect of this question of the formation of Trusts to which attention must be called. It is only those Trusts which have been promoted by honest methods on sound principles which can enjoy the economic advantages which have been described. Very often Trusts are formed for the purpose of loading the public with over capitalised or worn out concerns. Prices far beyond the intrinsic value are often paid to induce even prosperous firms to enter the combination. An instance of this was afforded when the Morgan Trust took over the White Star Line. A Liverpool newspaper at the time stated that each holder of a £1,000 shares in the White Star Line received £14,265 18s. 3d. When the notorious Yorkshire Woolcombers Association was formed the prices paid for outworn concerns were seven times beyond the figure at which up-

to-date mills could have been built and equipped. Something of that kind is at the present time going on in the cotton trade. Financial syndicates are buying up Oldham spinning mills at extragavant figures and refloating them at a much higher capital. The Amalgamated Trust has taken over twenty mills and will have complete co-ordination in the management and administration. Taking seventeen of the spinning mills which have been acquired by a syndicate we find that the price offered amounted to an average of £11 6s. 0d. per share, although the average amount paid up was only £2 16s. 0d. It is impossible that a Trust so over capitalised can survive a prolonged period of bad trade, and reconstruction or bankruptcy involving the loss of the shareholders' capital is inevitable.

TRUSTS OR THE PEOPLE?

Weighing up the advantages and disadvantages of Trusts, we are driven to the conclusion, from the point of view of the consumer and the worker, that this development of capitalism is full of menace. It is, however, the natural development of the capitalist system, and it possesses great economic advantages which, if utilised for the benefit of the community instead of for the profit of the owners of the Trusts, would be of incalculable benefit. The profits of these Trusts are in the aggregate, as we have seen, colossal. The prices charged for the commodities produced by the Trusts, even if not higher than formerly prevailed, are far beyond a reasonable return upon capital. If these Trusts care to use their tremendous power over the community in a despotic manner they can establish a rule of tyranny more intolerable than that of Czar or Kaiser. It has long been a cry in the United States, "Shall the Trusts rule the nation, or shall the nation rule the Trusts?" That is a question that the people of Great Britain are now called upon to answer. If the power of the Trusts is not restrained it will become all-powerful in determining the economic and political conditions of the country. The problem, therefore, is how can we deal with the Trusts?

One thing we cannot do. We cannot prevent this tendency to industrial combination. It is not desirable that we should. It will be much easier to destroy the capitalist system when it has one head or one hundred heads instead of one hundred-thousand heads. The Trust is a stage between competition and public ownership. If we must have a monopoly then it must be a public and not a private monopoly. Individuals for their own profit must not be allowed to exploit the natural development of mechanical, scientific and economic progress.

WHAT CAN BE DONE.

The Government have announced that it is their intention to introduce legislation to deal with Combinations and Trusts. Indications have been given that the legislation will follow the lines of similar legislation in the United States and in the British colonies. Such legislation in this country will be just as futile as it has been in the countries where it has been attempted. In the United States the Clayton Anti-Trust Act of 1914 renders illegal Combinations, Arrangements or Contracts which have the effect of substantially reducing competition or which tend to create monopolies. In addition to the Federal Anti-Trust laws most of the American States have special legislation aimed at regulating or preventing Trade Associations or Combinations. The practical effect of this legislation is negligible. Combinations and Trusts have flourished in spite of all legislative attempts to curb their activities. The explanation of this failure is very simple. No legislation can be effective against a natural development. The only way to deal with Trusts and Combines, as with every other result of natural progress, is for the community to place itself in harmonious relationship to it. The Committee on Trusts to which reference has been made in this pamphlet came to a very futile conclusion which was practically an admission of the impossibility of any effective State regulation of the operations of Trusts. Its recommendations are so puerile that we need not trouble even to enumerate them. A Minority Report signed by four members of the Committee made two proposals, one for immediate adoption, and the other for a permanent solution of the problem.

This Minority Report recommends that as an effective safeguard against excessive profits by these Combinations the practice which has been carried out during the war by the Government Departments of fixing a maximum price for particular articles, which could be standardised by the full and precise "costing" of every part of a commodity, might be generally adopted. But that system will not effectively deal with the problem of high prices in so far as they are due to the operation of the Trusts. There would be innumerable loop-holes through which the Trust could escape this method of control. The only practical solution is that the monopoly should be transferred from private to public ownership and control. It is, as the Minority Report states, contrary to the public interest to allow such enterprise to remain in private hands.

We do not desire to see State-owned Trusts controlled and managed by such an incompetent and extravagant Government

as is in power at the present time, but even in the hands of such a Government national factories have, according to the testimony of the Prime Minister, proved of great national service. Speaking in the House of Commons on August 18th, the Prime Minister said:—

> "National factories were set up which checked the prices, and a shell for which the War Office, at the time the Ministry was formed, was paying 22s. 6d. was reduced to 12s., and when you had 85,000,000 of shells, that saved £35,000,000. When we took the Lewis guns in hand they cost £165, and we reduced them to £35. There was a saving of £14,000,000 there, and through the costing system and the checking of the national factories we set up, before the end of the war there was a saving of £440,000,000."

The solution of the Trust problem, which Socialists have been presenting for a generation, is public ownership and democratic control. Long before the Trust Movement reached its present dimensions in this country the Socialists pointed out the form which industrial operations were bound to assume in the course of economic evolution. They offered the only practical and possible solution, namely, the public ownership and control of every great industry when it reached that stage of monopoly and organisation suitable for collective control.

The development of Trusts in recent years, the enormous tribute they are levying on the community in the form of excessive profits, the menace they are to the life and welfare of the community and the workpeople, the danger they are to the purity of political life, make the public ownership of the Trusts an immediate necessity. If the public will not control the Trusts, then the Trusts will control the public. That is the question the people of this country must now decide.

For twenty-five years the Independent Labour Party has been advocating these methods of dealing with the menace of Capitalism. If you, gentle reader, would like to help to secure these reforms you ought to join the I.L.P.

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